

CONSERVATION TRUST FUND QUESTIONS AND ANSWERS

Accounts:

- 1. Does the CTF money have to be kept in a separate bank account or can we separate the funds with a separate line item or account in the general ledger?**

As long as procedures are in place to accurately track the beginning and ending annual balances, expenditures and deposits of the conservation trust fund *and* that the appropriate interest will be applied to the fund, the CTF money can be kept as a separate line item or account on the General Ledger and it is not necessary to open a separate bank account.

- 2. If I do have a separate bank account, can I pay my bank fees for that account with money from the conservation trust fund?**

Yes, if there is no other option. This will be considered a necessary cost of doing business if you have the separate bank account. The statute states that money from sources other than CTF cannot be transferred into the conservation trust fund account for any purpose. Thus, it is reasonable to assume that bank fees that are automatically deducted from the account are considered a necessary expense of the account funds.

- 3. I understand that CTF funds must be kept in a separate fund (including interest earnings). What I am unclear about is the following statement in your letter dated July 16, 2004: "This means that any money received as a donation or an additional grant to be used for CTF purposes has to be kept in a separate account". Does this mean a separate account must be created and maintained for donations and grants, of CTF type funds, or is this just a reminder that such moneys must be kept in *the* existing CTF account?**

Neither. You do not necessarily have to create a new account, but other money cannot be kept in the CTF account. Let me give you an example: You want to build a bike trail for \$10,000. You have a fundraiser and earn \$500, you receive a GOCO grant for \$5,000, and want to use CTF for the remaining \$4,500. The \$5,500 from the fundraiser and GOCO must be accounted for somewhere else in your general ledger, but can not added to the CTF account. You can still write one check for \$10,000, but the only money that should be reflected on the CTF account is the \$4,500 used. Where you account for the other \$5,500 will be left for you to determine.

- 4. Can I show a negative balance in my CTF account on my General Ledger at the end of the year?**

Deficit spending on any fund is not allowable by Colorado Budget Law. You will need to start every year with a balance of zero or more.

5. Could CTF money be used to secure debt financing - for example, a loan to purchase open space? Could CTF money be used to pay debt service on financing to purchase or construction new conservation sites?

Yes and no. If you are planning on paying for a large project out of your General Fund and then spend the next few years reimbursing your General Fund from CTF, that is not OK. However, if you will be using the CTF money earned each year for bond payments or even lease payments outside of your General Fund, then that is OK.

Expenditures:

1. Can Conservation trust fund money be used for a capital expense if there is a cost to the public to use?

Yes, as long as the capital expense falls under the CTF statute. As an example, many communities have swimming pools, water slides and golf courses that were purchased or built with CTF money, but charge for public use (this is one way to help cover the operating expenses).

2. I understand that running a recreation program would not qualify, but what about a capital expenditure for a recreation program such as a bus or van?

If the purchase of a vehicle were a capital expenditure as defined by the rules, yes it would be an eligible use of CTF money.

3. According to the statute, operating expenses are not eligible expenditures. What kinds of things are considered operating expenses?

We don't define operating expenses in the statute or the rules, but we do define maintenance. "Maintenance" means keeping Conservation Trust Fund-eligible assets in an original or existing state of repair or of preserving them from failure or decline." If the project doesn't fit into the category of maintenance, it will usually then fit into the category of operational and this covers a lot of different things. Some examples of operational expenses would be supplies for restrooms, replacing baseballs and bats at the recreational facility or athletic field, salaries for a lifeguard, desk agent, museum worker, police patrol or program director. Utility bills such as water and electric are typically* operational.

**Typically* was added in this sentence because in some situations, these utility bills are allowable. For example, the water bills for irrigation of a field or for a swimming pool are categorized differently than for the park restroom. The electricity that operates a TV translator is categorized differently than that for the lights on the street or in the park.

4. Capital purchases of athletic equipment are acceptable, right? So can I spend \$1,000 on bulk supplies to be considered a capital purchase?

Capital purchases of athletic equipment are acceptable as a way to use CTF money, but buying a bunch of little things (like baseballs, tennis racquets or swimming flippers) to make is cost more than \$500 is not acceptable. Remember, the statute says that the expenditure needs to be used for capital improvements for recreational purposes or maintenance for recreational purposes of an existing public site. Unfortunately, a bunch of baseballs doesn't increase or maintain the value of a baseball field.

5. If we can spend money on a blocking sled for a football field, why can't we buy football pads? Wouldn't they be considered a fixed asset if they have a useful life of over one year?

A fixed asset is something used to provide CTF allowable expenditures. A blocking or tackling sled is a large purchase where one sled can benefit numerous people for many years. Football pads are considered part of the operational costs of a recreational program—neither of which is an eligible use of CTF money. Football pads are not considered a capital improvement to a recreational facility or an athletic field.

6. Can we purchase new pool furniture? This would include deck loungers that are used at the public pool. How about repairs at the same public swimming pool to include a new water heater for the locker rooms, boiler for the pool, and other necessary repairs.

Both of the projects you mention appear to be eligible for spending with CTF money. The furniture would be considered an expense of a fixed asset, and the repairs fall under maintenance for recreational purposes of a public site.

7. Every year we give some CTF money to groups like 4H, Little League and Girl Scouts. Can we still do this?

No, according to the statute you cannot give CTF money away. However you can pay for a maintenance service. For example, if you have a group that's requesting money, ask them to paint a fence, clean up or mow a park, rake leaves or plant trees and flowers. Keep some documentation of the services performed by whom and how much compensation they received. This does not mean you have a blank check to give \$5,000 for an hour of picking up trash at a park or having the same fence painted 6 times in one summer. The maintenance expenditures must be reasonable and an audit trail will be required. An excessive amount of money being allocated for maintenance simply for the purpose of meeting CTF statute requirements could possibly put into question the legitimacy of the expenditures. The more specific you can be in your reporting of the expenditures, the better.

8. Will expenses for park rangers or police patrol be considered allowable maintenance costs (to keep CTF-eligible assets in original or existing state of repair or preserve from failure or decline)?

To quote the rules, " 'Maintenance' means keeping Conservation Trust Fund-eligible assets in an original or existing state of repair or of preserving them from failure or decline." While park rangers and police patrol provide great services, they have no direct effect on the maintenance of a park, and therefore those costs are not considered an eligible expenditure of CTF money.

9. Can I spend CTF money on the salaries of the people who work in Parks & Recreation?

Depends on the situation. If you are talking about your desk clerk, administration staff or program director, then no, the salaries are not eligible for CTF use. However, it was determined that if the salaries can be attributed to the acquisition or development of a specific CTF related project, then the salaries would be considered part of the capital expenditure. This is similar to the attorney fees associated with a land acquisition, which are considered eligible under CTF. Documentation must be kept on these projects, and only the time spent on the specific projects is eligible. We want to stress that the more specific you are in your reporting, the better. If you have a person who spent 20% of his or her time in 2004 planning and overseeing a CTF related project, then 20% of his or her salary can be attributed to CTF money.

10. Can we use CTF money for a \$6,000 plotting and mapping project that would be the first step in developing a more comprehensive maintenance plan, including an anticipated irrigation system upgrade?

Yes, this project would be an eligible expense for CTF funds because it is a specific project to oversee maintenance and/or capital improvements. Please remember that administrative costs are not eligible for CTF spending.

11. Could CTF money be used to conduct an inventory of natural spaces in our planning area? This study would help us determine what sites should/could be purchased and conserved.

Yes it can. We ask that you keep a fairly decent record of the time spent on this project. For example, it would not appear reasonable to hire three full time people for the year and have CTF pay 100% of their salaries for this type of project. Also, please remember that administrative costs are not eligible for CTF spending.

12. Allowable expenditures include (#3) operation of a system of television relay and translator facilities...etc. What does that refer to, and why is it specifically identified as an allowable expense?

This is referring to the receivers and translators (mainly for rural areas where cable is not available) to transmit television channels to local areas. For example, ABC transmits on channel 7 in metro Denver. The frequency will be captured by a tower in XYZ County and bounced out as channel 5 to their community. Each channel has to be paid for and licensed on an annual basis, and the communities can use CTF to help with that cost

along with the maintenance of the facility. In 1995 the Attorney General was specifically asked about the television relay. The following paragraph is a part of his response:

"By definition, park and recreation districts provide park or recreational programs. Section 32-1-103 (14). The General Assembly specifically authorized park and recreation districts to provide television relay and translator facilities. Therefore, it is fair to conclude that the General Assembly deemed television relay and translator facilities to be recreational facilities."

General Questions:

1. Are you going to publish a new "Project Code" list?

We are in the process of revising the form again for the 2004 reporting year (it had been revised for 2003). We are eliminating many of the project codes from the required report to make the report more general in terms of statutory compliance.

2. If we really mess the CTF report up this year, will you stop giving us conservation trust fund money?

There is a lengthy process to completely eliminate an entity from receiving the Conservation Trust Fund money. Please refer to the statute for the exact details of this process. However, we do have the authority to withhold CTF distributions until statutory compliance is achieved. As an example, the required annual certification and Status of Conservation Trust Fund reports need to be filed to DOLA. If we do not have them on file, we may be withholding funds until they are received.

3. The statute says we have to create rules. How do we do this?

The revised statute that was approved by legislation required that rules and regulations be created and promulgated by September 1, 2004. To ensure compliance with the statute, the Department of Local Affairs has created the rules, and they were adopted at the rule-making hearing on August 2, 2004. All you (as the participating entities of CTF) need to do is read them and ensure that you are in compliance with the rules and, of course the statute. How you go about doing that is left up to you. If you choose to create written procedures for your specific use of the conservation trust fund, that's great! However, it is not necessary because DOLA has created the rules mentioned in the statute. The rules are located on the website at www.dola.state.co.us/LGS/FA/ctf.htm